MEETING SUMMARY NOTES

Finance Work Group

October 31, 2002
Mayor's Conference Room

MEMBERS: Present -- Lowell Berg, Keith Brown, Jim Budde, Mark Hesser, Brad Korell, Dan Marvin, Polly McMullen, Richard Meginnis, Tim Thietje, Terry Werner, Otis Young, Larry Zink, Allan Abbott (non-voting)
Absent -- Ron Ecklund, Bob Hampton, Connie Jensen, Tom Schleich, Kent Seacrest, Roger Severin.

OTHERS: Kent Morgan, Margaret Remmenga, Randy Hoskins, Don Herz, Mark Bowen, Jon Carlson.

AGENDA ITEMS DISCUSSION:

1. Welcome- Brad Korell, Work Group and Committee Tri-Chair

Brad Korell opened the meeting with a note of "thanks" to all of the Work Group members. Lincoln Mayor Don Wesely then spoke to the Work Group stressing the importance of the Group's task. He expressed confidence in the Work Group ability to bring their extensive "skills and leadership" to the process. Mayor Wesely noted the significant role to be played by the City Council in this effort, and thanked Terry Werner for serving as the City Council representative. The Mayor also indicated the support that staff will make toward aiding the Work Group through this process and thanked the staff for their contribution. He concluded by thanking Brad Korell for agreeing to serve both as a Tri-Chair and as a Work Group Chair, and indicated his pleasure in knowing that Brad is helping to lead this process.

Mr. Korell noted that there was an item inadvertently left off the agenda – the "Meeting Protocol Discussion Draft." It was agreed by the Committee that this be added to the agenda as a discussion topic immediately after their review of the Charge Statements.

2. Self Introductions and Member Information Forms

Brad Korell asked that all the Work Group members and the individuals in the audience to please introduce themselves. Kent Morgan then asked that the Work Group members to complete and leave the "Member Information Forms" included in their agenda packets. This information is needed, he said, to ensure that staff has what they need to distribute work products to the members throughout the process.

3. Process Organization and Management Overview

Kent Morgan gave an overview of the infrastructure finance process and of the citizen groups organized to complete the work. He indicated that the infrastructure finance process centers around the Mayor's Infrastructure Finance Committee. This Committee is composed of 13 voting members, along with Allan Abbott (City's Public Works and Utilities Director) serving as a non-voting member. The Committee is lead by three chairpersons -- Russ Bayer, Brad Korell, and Jan Gauger. Mr. Morgan then noted that three "Work Groups" have been set up to support the effort of the larger Committee. The three Work Groups will address the issues of Cost Savings and Efficiency, Finance, and Legislation. Each Tri-Chair will head up a Work Group. The Work Groups are to report back to the main Committee on a regular basis concerning the progress of their work. These periodic reports will be made by the Tri-Chars or another designated member of the main Committee.

4. Committee and Work Group Charges

Kent Morgan then reviewed the October 3, 2002 "Charge to the Committee" statement. He noted that the overall responsibility of the Committee and the Work Groups is to "seek consensus on a realistic comprehensive financial package ensuring the maintenance of existing public infrastructure and the delivery of future public infrastructure to facilitate community growth." The October 3, 2002, Charge Statement also outlined five "Key Working Assumptions,' which were discussed by Mr. Morgan. These include: (1) use of the recently adopted City-County Comprehensive Plan as the basis for development assumptions; (2) the need to seek a "balanced funding approach" that reflects a three tired priority system stressing maintenance of existing infrastructure, provision of projects of "broad community benefit," and infrastructure supporting "planned urban growth;" (3) limiting their review to streets and highways, water, wastewater, storm water, and park facilities; (4) setting a planning time horizon of six years and longer as deemed appropriate by the Committee and Work Groups; and (5) the assumed financial contributions from local impact fees consistent with the Mayor's August 26, 2002, proposal, as amended.

Mr. Morgan then focused on the specific charge to the Finance Work Group. This involves validating the City's funding needs (a.k.a., "financial gap") for the next 6 years and beyond, the review and evaluation of viable financial tools that "provide adequate and predictable funding for the timely provision of pubic infrastructure," and preparation of a financial and capital improvements staging plan for review by the main Committee.

A Committee member raised a question concerning "the funding gap" and would this be something that the Work Group would be reviewing in detail. It was indicted by Mr. Morgan and Mr. Korell that yes this would be a topic of review for the Work Group. This was followed with a member's question regarding the cost estimates and projections that would go into determining the gap. It was noted that was a discussion topic for the Cost Savings and Efficiency Work Group; but that the Finance Work Group could also be briefed on this item if they so decided.

4a. Meeting Protocol: Discussion Draft

Kent Morgan noted that attached to the agenda was a four page document entitled "Meeting Protocol Discussion Draft." (Copies of the document were also available for members of the audience.) Mr Morgan noted that these rules of procedure were requested by the main Committee to ensure that everyone in the process understands from its initiation what guidelines would be used in conducting meetings and other aspects of project management. Mr. Morgan indicated that he would not review every policy stated in the handout, but would leave it to the members of the Work Group to review. He did specifically note a number of items. One item in particular was the meeting participation principle, requiring that meeting discussions be limited to members of the respective body, staff, and other support professionals. Members of the public would be provided with other opportunities to address the Work Groups. It was generally agreed that time – ten minutes maximum – would be set aside at each meeting for community members to speak to the Work Groups. Individuals would be limited in time to three minutes at each. Mr. Morgan also noted that members of the main Committee are allowed to "audit" the meetings of Work Groups that they are not a member of, and may participate in the discussion of these Work Groups but that these "auditing" members may not participate in the Group's decision making process.

Mr. Morgan reviewed the "Consensus Standard" for the decision making process and noted the three options offered for making group decisions. These options include: (1) a single recorded vote at the conclusion of the Work Group's task; (2) recorded votes on all substantive procedural and content matters; or, (3) no formal votes but a determination by the Group Chair that a consensus (or affirmative position) has been reached. Mr. Morgan noted that the main Committee and other Work Groups are opting for the "consensus approach" (No. 3) in arriving at decisions by their group. The Finance Work Group members at the meeting were in general agreement with the use of the "consensus approach."

Mr. Morgan then discussed the standards for attendance. Because of the importance of maintaining continuity in the dialogue of the groups, a ceiling of five absences has been set. After five absences, the Tri-Chairs may remove a Committee or Work Group member. No replacement will be appointed if a member is removed.

Brad Korell noted the media policy on page 4 of the Protocol handout. He indicated that any requests from the media should be directed to one of the Tri-Chairs or to staff – most likely to Kent Morgan as the project's coordinator.

Allan Abbott asked that any requests for information that the Group may have also be coordinated through the Tri-Chairs and Kent Morgan. Mr. Allan expressed a concern that staff could be overwhelmed with information requests and that it was only proper that the Tri-Chairs and project coordinator determine the merits of the requests and the availability of staff time to prepare a proper response.

Prior to moving onto the next agenda item, Brad Korell asked that the Work Group set upcoming meeting dates and times. Based on a calendar of possible dates provided to the Work Group, the following meetings were set up for the Work Group's meeting through March of 2003:

November 8, 2002, @7:30 a.m.
November 20, 2002, @ 3:30 p.m.
December 5, 2002, @ 3:30 p.m.
December 12, 2002, @ 7:30 a.m.
January 8, 2003, @3:30 p.m.
January 22, 2003, @ 3:30 p.m.
February 12, 2003, @ 3:30 p.m.
February 27, 2003, @ 3:30 p.m.
March 12, 2002, @ 3:30 p.m.
March 27, 2003, @ 3:30 p.m.

5. Comprehensive Plan Overview

Kent Morgan began his presentation on the Comprehensive Plan by noting that CD versions of the Plan were available to all members of the Work Group – the CD's can be picked up after the meeting.

Mr. Morgan noted that Lincoln's current Comprehensive Plan was adopted by the City Council on May 28th of this year. The Plan was developed over an 18 month period with extensive community participation. The Comprehensive Plan Committee, which oversaw the process, included several members of the Infrastructure Finance Committee and Work Groups. The Plan is similar to past local comprehensive plans in that it focuses on the 25 years of growth, but differs from past local plans in that it also looks beyond the 25 year time horizon.

Mr. Morgan said that the current Comprehensive Plan is based on a growth rate of 1.5 percent per year for both the 25 and 50 year time horizons assumed in the Plan. Over the next 25 years, the County's population will grow from about 250,000 residents in the year 2000 to over 363,000 residents in the year 2025. Lincoln's rate of population growth will parallel the County's with an increase of over 100,00 new residents by the year 2025 – from 225,000 people in the year 2000 to 327,000 people in the year 2025. This rate of growth is higher than that used in the last two Comprehensive Plans – they were near a rate of about one percent a year – but it is closer to the 1.6 percent per year witnessed in the decade of the 1990's. He then discussed the Plan's year 2025 "land use plan," and the categories of land uses it contains.

Mr. Morgan mentioned that key to the Plan's implementation is the assumed phasing of development – "where and when development is planned to occur." The Plan contains three tiers, or growth zones. Tier I is for the 25 years time period; Tier II generally encompasses the 25 to 50 year time frame; while Tier III displays geographic areas considered for urbanization beyond 50 years. In terms of size, Mr. Morgan noted that the present City of Lincoln is nearly 80 square miles. Tier I contains 40 square miles; thus the City is projected within 25 years to be half again as large as it is today. Tier II will represents an additional 47 square mile area for development; while the Tier III growth zone is nearly 98 square miles in area.

Mr. Morgan stated that the Tier I area – as the near term growth area – has been divided into two "Priority Areas" – i.e., Priority Area "A" and Priority Area "B." Priority Area A, as the name suggests, would be those areas where the City is expecting and planning to grow first. The Plan generally calls for the City to have services into the Priority A area no later than 12 years from the Plan's adoption.

Mr. Morgan noted that as the Plan was being crafted, all City departments with an interest in the planning process closely co-ordinated their respective policy and facility planning efforts. Regular interdepartmental meetings were held. Planning Department staff also participated in meetings with public utilities and their consultants as the City's water and wastewater Master Plans were being updated.

6. <u>Capital Improvements Program</u>

Kent Morgan next walked the Work Group through the process used by the City of Lincoln in preparing its six year capital improvements program. A handout was distributed showing selected portions of the City's Charter that describe Lincoln's capital improvements program and capital budgeting processes. Mr. Morgan noted that the CIP process begins each year with the submission to the Planning Department of capital requests covering a six year period. These requests are then reviewed against the Comprehensive Plan to determine their "character and degree of conformity or non-conformity" with the Plan. The package of requests is forwarded to the City-County Planning Commission for an annual hearing in May for it to review the draft CIP for Plan conformity. Once the Commission takes action on the CIP, it is sent to the Mayor's Capital Improvements Advisory Committee. This group works with the Mayor to assemble a recommended capital budget that generally reflects the draft CIP. The Council then meets with each department to discuss their respective operating and capital budgets. The Council subsequently conducts a public hearing on these two documents. Mr. Morgan noted that in the final analysis, the Council only approves a capital budget (i.e., first year of the CIP document) and not a full six year CIP. Copies of the current year CIP for the Wastewater Department were also distributed to review by the Work Group.

Allan Abbott noted that there is another capital programming document called the "Transportation Improvement Program" (TIP.) The TIP combines into a single document the transportation capital improvements proposed for the next six years by all the public entities in the city and county. It was noted that there are greater restrictions on how funds shown in the TIP can be expended then in the City's CIP. The TIP does, however, allow for a three year funding horizon – in contrast to the City's one year period.

A Work Group member asked what staff's working definition is for a "capital improvement." It was noted by staff that capital improvements generally include property acquisition, construction, and equipment with a useful life of 15 years or more.

Jim Budde asked how the Antelope Valley project was factored into the analysis. This was immediately followed by a question from Dan Marvin regarding how old and new areas are going to be treated for purposes of determining maintenance costs and service allocation. Allan Abbott indicated that to answer these questions we need to distinguish between routine maintenance – such as fixing potholes and broken mains – and longer term rehabilitation of infrastructure fixtures – such as the replacement of aging mains or a complete resurfacing of an arterial.

Dan Marvin asked about the staff's ability to calculate maintenance costs in the older areas. Allan Abbott said that staff would consider it but that it was important to know exactly what the information is needed so that staff spends its time wisely.

Tim Thietje wanted to know how a population growth rate greater than or less than that assumed in the Comprehensive Plan would affect infrastructure provision. Kent Morgan noted that efforts were being make to broaden the indices used in monitoring development and growth so that we could respond more quickly to rapid increases or slow downs in urbanization. This will become part of the annual review of the Comprehensive Plan and allow for adjustments to the Plan as necessary. Allan Abbott indicated that it is still possible that we could "over or under build" but we just need to do the best we can in anticipating the future.

Richard Meginnis stated that the overall capital expenditures was the real issue. The Work Group needed to take a close look at all the sources of City funds and how the CIP is constructed.
Brad Korell noted that one of the Work Group's primary tasks is to "validate the infrastructure financing gap." Mr. Korell said that the Group has "to be comfortable" with what the gap figure; the Group has to know what it is now and what the number is likely to be in the future. He'd like to see the Group's analysis extended to 12 years in order to get a better perspective on the financing issues needing resolution -- perhaps reflected as two "6 year CIP's." Mr. Korell also stated that it was his understanding that there was "nothing off the table" in terms of funding options that the Group could examine.

Brad Korell reviewed his perspective on Lincoln's land development process.. He noted that developers have traditionally paid for improvements – such as streets, water and sanitary sewer mains, and sidewalks – that are an immediate part of their development. The cost for improvements outside the development -- such as arterial streets and the over sizing of mains -- were borne by the taxpayers and utility ratepayers. Developers have -- in more recent years -- begun contributing to some of these "offsite" improvements previously paid for the public. Mr. Korell indicated that this contribution has been estimated at between $1,800 and $2,000 per residential unit. The proposed impact fee would begin – if adopted as proposed – at about $2,500 per residential unit.

Otis Young asked if the proposed impact fee would vary by lot size. The answer was "no," it would not vary by residential lot size as it is assume that the impact on water, wastewater, and roads in more a function of household size that than lot size. And since the number of persons using any given residential unit can't be readily predicted and is likely to change over time, a uniform relationship of cost per unit seems the most prudent approach.

Allan Abbott noted that the community's actual cost of providing infrastructure to a residential unit is estimated at $9,000 per unit. This is considerably more than what's been suggested as an impact fee so that the taxpayers and utility ratepayers will continue to make a substantial financial contribution to the growth and development of the urban area.

Richard Meginnis asked about the draft impact fees ordinance standard of not requiring the payment of impact fees for development with existing "annexation agreements." This occurs when a developer has already paid for certain off-site improvements as part of an annexation. Brad Korell noted that such developments are "grand-fathered" and won't be required to pay impact fees in selected cases. Allan Abbott further clarified that certain developments with annexation agreements will receive a categorical exemption if they have already contributed to the type of projects covered by the proposed impact fees. In short, Mr. Abbott stated these developments were "not getting off free" as they have already paid.

Lowell Berg asked about how impact fees are being dealt with as part of present annexation agreement negotiations. Allan Abbott indicated that should impact fees be approved, future developments will be required to pay the fees – this is the current standard the City is using in its negotiations with developers regarding annexation agreements.

A question was raised by a Work Group member regarding the Mayor's ability to waive the impact fee in certain instances. Allan Abbott noted that the draft ordinance allows the impact fee to be waived for purposes of furthering economic development, but will have to be done in accordance with written standards prepared and adopted by the City Council.

Brad Korell posed the question of, "Why are we in this situation?" regarding infrastructure financing. He noted that we are now moving "over the ridge" in many places – there are no more "sweet spots." It will cost more to go into these new areas. Larger and more expensive investments will need to be made. The cost of development of is becoming "incrementally more."

Allan Abbott indicated that with the City's growth it is now in a position of needing to expand its two sanitary sewer plants, not just one; and where 42 inch sewer lines might have been adequate, 72 inch lines are now often the required capacity. There is really nothing in the Stevens Creek Basin that resembles the traditional "sweet spot." He notes that we will need to build significant new infrastructure capacity in order to begin developing in Stevens Creek and elsewhere. Both of Lincoln's treatment plants are in need of expansion to accommodate the projected growth. This growth will also result in the need to build more transmission capacity from Greenwood over the next 6 to 10 years in order to transport Lincoln's potable water from the Platt River. Mr. Abbott noted that there is also the question of whether we want to live with rural asphalt roadways for a number of years after urbanization of an area has begun. Brad Korell noted that

South 14th Street between Old Cheney Road and Pine Lake Road is a example of why we need urban style roads built at the same time the City expands – not after development has occurred.

Brad Korell indicated that it was his intent the have the Work Group take a more in-depth look at the City's infrastructure "financial gap" at upcoming meetings. Mr. Korell wants to make sure that everyone is "up to speed" on this matter before the Work Group proceeds too far.

7. Other Business

There was no "Other Business" items raised by any Work Group member.

8. Next Meeting Date and Meeting Topics

Brad Korell noted that the Work Group had already dealt with upcoming meeting dates and times.

9. Adjournment

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